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COPY NO.

39

CENTRAL INTELLIGENCE AGENCY
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DAILY DIGEST

Date: JUN 23 1951

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 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities.
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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SECTION I (SOVIET)

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"B" USSR. Soviet Ships Reportedly Deliver Military Equipment at Poti and Batumi.

25X1X that port during those dates to Poti and Batumi. The ships were loaded with
 5X1A paratroop supplies, including artillery pieces, machine guns and ammunition,
 25X1X [REDACTED] who visited the port of Poti be-
 between 20 and 25 May, reported that large quantities of incendiary supplies ar-
 rived at Poti during that period. [REDACTED] it was thought that
 three ships made the shipment. Source also heard that "tens of thousands" of
 25X1A the incendiary bombs were unloaded and transported "somewhere into the interior."

COMMENT: While these reports appear credible concerning the fact that Soviet ships were carrying military supplies to these Black Sea ports, it is not possible to ascertain if eye witnesses actually identified either incendiary bombs or equipment for paratroops. There is no available information that paratroops are among the forces in the Trans-Caucasus Military District above the Iranian-Turkish borders. So far as is known from previous reports, the principal method of supply for troops in this area is overland; these recent reports suggest that a supplementary route is being used.

"B" Expansion of Soviet Lumber in Far East. The Khabarovsk Regional Service on 21 June, described the following measures as essential to the development of the lumber industry in the Far East (particularly Khabarovsk krai); the installation of dozens of new large industrial lumber camps; construction of many hundreds of kilometers of narrow-gauge and wide-gauge railways and automobile highways; the building of lumber mills; of plywood, furniture, packing materials, and paper-cellulose factories. According to the broadcast, funds invested in the Far Eastern lumber industry's postwar Five-Year Plan amounted to "many hundreds of millions of rubles," but the amount to be invested during the New Five-Year Plan is "considerably greater." It is planned by the end of the current Five-Year Period to study the forests of this immense area, 52% of whose timber stands have not been studied before. This task has been delegated to the forest management organizations of the Ministry of Forest Economy, who will be required to supply the necessary skilled engineers and technicians. (R-FBIS, 22 June 51). COMMENT: This elaborate program may well be in partial reply to constant complaints of shortages in the building, shipping, newsprint and affiliated industries appearing so frequently in the Soviet Press, and fits in with current economic policy to exploit the resources of the Far Eastern sections of the USSR.

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"A" EASTERN EUROPE. Airspace violation by US Jets Alleged to be Intentional. In a note delivered to the US Embassy on 21 June the Czechoslovak Foreign Office stated that the recent violations of Czechoslovak airspace were clearly not accidental overflights but deliberate incursions. The note reiterated previous charges that violations of Czech airspace by US planes were continually increasing, listing 116 violations since 15 January, and added that in the most recent case the planes were "heavily armed military jets in a state of readiness to fire." For these reasons the Czechoslovak authorities could not rely on US assurances that the 2 planes were on a training mission, but must await the results of a very careful examination. The note concluded that the Czechoslovak Government views the recent violation of its aerial border as particularly serious and that it would deal with the case in accordance with the principles of international law. (U-Praha 837, 21 June 51).

"B" HUNGARY. US Legation Officials Denied Permission to Attend Grosz Trial. The US Legation in Budapest reports that permission to attend the trial of Archbishop Grosz was denied to the Legation at the last minute and its representatives were "turned away from the door" at the opening of the trial. The Legation concludes that the Hungarian Government wishes to shield the trial from "objective observers." (U-Budapest 619, 22 June 51). COMMENT: The only "Western" coverage of the first day of the trial, furnished by an AP local correspondent who is a Hungarian citizen and therefore subject to Government control, featured the confessions of the Archbishop and three others that they were involved in a gigantic plot to overthrow the Government with US aid. Advice and encouragement were alleged to have been given to the Archbishop by the former US Minister and other Legation officials. When the groundwork of US machinations is laid by the principal defendants, the Hungarian USIS employee, also allegedly implicated, will probably be used to clinch the case from "inside observation."

"A" 25X1X RUMANIA. Mass Border Evacuations Reported from Rumanian-Yugoslav Border. [REDACTED] that during the last five days wholesale evacuations of families have been taking place in the Rumanian Banat region, adjoining the Yugoslav and Hungarian borders. State enterprise trucks in Bucharest were recently commandeered and ordered to the border area, presumably to assist in the evacuations. Reports vary as to destination of the evacuees, but trainloads of them have been seen passing through Bucharest. [REDACTED] seeing two trainloads of evacuees at Arad, near the Hungarian border. (C-Bucharest 770, 22 June 51).

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COMMENT: Since the area of reported evacuation adjoins Yugoslavia, it is probable that the Rumanian Government is attempting to lessen the possibility of mass defections to Yugoslavia similar to those recently occurring in Bulgaria. The inhabitants of the Banat region may be particularly vulnerable to Yugoslav subversion since they include a large Serbian minority (estimated at 45,000 as of December 1949). The action will also facilitate the concealment of any military activity along the Yugoslav border of Rumania.

"B"

YUGOSLAVIA. "Liberalized" Judicial System Subordinated to Communist Policy.

Yugoslav Government spokesmen have recently emphasized that the country's courts must remain instruments for the implementation of the Communist Party policy, despite the resolution for the liberalization of the judicial system adopted by the Yugoslav CP on 5 June. Although governmental spokesmen have reiterated that the courts should be freed from bureaucratic pressure and the supervision of the secret police, it is significant that several newly appointed judges have been former secret police officials. (S-Belgrade Joint Weeka 24, 15 June 51; R-FBID, 22 June).

COMMENT: Although a recent Yugoslav trial of Cominform agents was marked by an unusual degree of leniency, the Yugoslav Government continues to use the courts to implement the CP line as in recent prosecution of religious elements.

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SECTION 2 (EASTERN)

- "C" GREECE. Parliament to Debate Electoral Law. The US Embassy in Athens reports that Prime Minister Venizelos, Populist leader Tsaldaris, and Merkouris acting for the left-center National Progressive Union (EPEK) approved the text of the proposed electoral law calling for a modified proportional system on 20 June. According to Merkouris, all three parties concerned are pledged to support passage of this law by Parliament after the latter reconvenes on 25 June. Despite his repeated denials, Vice Premier Papandreu, who does not favor the modified proportional system, may well resign from the government as a result of this agreement, perhaps even before the law is submitted to Parliament. (C Athens 4525, 21 June 51). COMMENT: Papandreu stated on 21 June that disagreement on the electoral system does not lead to the disruption of Government unity, and that the government will appear under its present form before the Parliament. Whatever political maneuverings occur in the near future, it would appear that an electoral law will shortly be forthcoming, and that the much heralded national elections will probably take place within the next few months.
- "C" ISRAEL. France to Ship 25 Planes to Israel. A private French airplane factory expects through cannibalization to ship about 25 operative Mosquito bombers to Israel. The French Foreign Office says that 7 planes are ready, and 5 additional ones are almost completed. Because these planes are Israeli property, the French feel they cannot hold off delivery any longer, and the 7 planes ready to go will be given clearance shortly. The remainder of the 25 will probably leave between now and November. No British objections have been made to the sale. (S Paris 8029, 22 June 51). COMMENT: Twenty-five planes will not be a significant addition to Israeli air power except in terms of comparison with the Arab States.
- "C" ISRAEL. US Ambassador Discusses Huleh Demilitarized Zone Situation. US Ambassador Davis in Tel Aviv feels that the situation in the Huleh demilitarized zone remains potentially explosive but that some gains have been made. He cites, specifically, the avoidance of renewed armed conflict, the improvement in the prestige and authority of the UN, the forceful fashion in which the present leadership of the Truce Supervision Organization (TSO) has been exerted, and the progress being made in interviewing the Arabs formerly in the area with a view to their return or resettlement. The Ambassador states that the basic problem is territorial and that, until the Syria-Israel border is settled in this area, disagreement over details will continue to threaten the peace. The frontier

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question will prove difficult to settle because Israel will resist any attempts to establish a frontier other than that of the Mandate while Syria wishes to acquire some of this area. The Israeli Foreign Minister has on several occasions confirmed that Israel will continue to cooperate with the TSO but has indicated that his position has been materially weakened by local reaction to the Security Council's resolution. The Ambassador reports that the Foreign Minister has recovered some public support for his program. (C, Tel Aviv 895, 21 June 51).

COMMENT: The Huleh demilitarized zone is within the borders of the former Mandate. During the fighting in 1948-49, Syrian forces occupied the area, and the Syrian-Israeli armistice made the area a demilitarized enclave. No permanent border settlement is in sight because of the continued unwillingness of the two sides to make peace.

"C" BURMA. Government Party Shows Surprising Strength in Early Election Returns. Of the first nine constituencies where the votes have been counted in the current Burmese elections, the Anti-Fascist Peoples Freedom League (AFPFL) has won seven by large majorities. Prime Minister Thakin Nu and two cabinet ministers were among those re-elected. US Embassy Rangoon comments that these successes, some of which were in constituencies where the AFPFL itself had been dubious of its chances, are probably indicative of a landslide victory throughout the country. (S Rangoon 939, 22 June 51).

"B" CHINA. Sino-Czechoslovak Trade Agreement Signed. A trade pact between Communist China and Czechoslovakia was signed in Peiping on 21 June, according to a Peiping broadcast. China is to exchange raw materials for industrial equipment. The total value of 1951 trade is to be four times larger than arranged under the 1950 agreement. (U FBIS Daily Report, AAAJ3, 22 June 51). COMMENT: This agreement follows closely on the Sino-Soviet agreement which also provided for increased trade. 1951 trade agreements with Poland and Hungary were signed earlier this year in Peiping. The direction of China's foreign trade is being drastically reoriented - whereas traditionally it was almost wholly with the West, it will soon be predominantly with the Soviet Orbit if the present trend continues.

"A" Large-scale Air-Ground and Paratroop Exercises in Nanking Area. Fifty aircraft (transports, fighters and light bombers) and 350 paratroopers engaged in air-ground exercises in the Nanking Hsuehou area on 20 June, according to the [REDACTED] June 51). COMMENT: A Chinese Communist air-ground training maneuver on this scale is unprecedented but is consistent with increasing Communist military capabilities. [REDACTED] has previously reported

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that proficiency of Communist paratrooper trainees has increased to the point where mass jumps from formation flights of as many as 13 aircraft were being made in late May at Kaifeng, a known paratroop training center (see O/CI Daily Digest, 14 June 51, p.7).

"A"

Chinese Communist Troops Reportedly Enter Indochina. A Chinese Communist force of some 4,000 crack troops, under Ch'en Keng, commander of Communist troops in Southwest China, entered Indochina from Yunnan, [REDACTED] No frontal contacts with the French-Vietnamese forces are reported [REDACTED] who adds that these Chinese forces are currently deployed on garrison duty to free more Viet Minh units for front line action. (U Taipei Ticker, 21 June 51). COMMENT: This is the latest of a continuing flow [REDACTED]

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[REDACTED] alleging the entry of a large body of Chinese Communist troops into Indochina as a unit. Several thousand Chinese Communists are accepted as being spread through the Viet Minh command in advisory capacities, but the presence of any Chinese combat force has not yet been established. The capability of sending a force of 60,000 troops into Indochina within a few days is generally accorded the Chinese, but there are still no reliable indications of Chinese Communist intent soon to open a second front in this area.

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KOREA. Enemy Air Action Includes Combined Tactics. Enemy use of fighter and ground attack aircraft on 20 June against ROK forces operating in the islands southeast of Sinuiju is the first reported instance of any enemy combined air combat operations. It is also the first known instance in which MIG-15 jet fighters have aided enemy conventional aircraft when attacked by UN fighters. Far East Air Force Intelligence feels the combined attack may presage further attacks of a similar nature further south. (S FEAF AX-8952, 21 June 51).

"C"

JAPAN. Prime Minister YOSHIDA Denies Need for Elections Following Treaty. "Central News" reports that Prime Minister YOSHIDA stated that his Cabinet has no intention of relinquishing its power, and that there is no necessity for holding a general election after the peace treaty. (R FBIS Ticker, 23 June 51). COMMENT: There has been considerable speculation whether YOSHIDA would agree to a new election following the peace treaty in order to permit persons released from the purge to regain their Diet seats. Failure to do so, also would prevent HATOYAMA Ichiro, YOSHIDA's senior in the Liberal Party, from becoming Prime Minister following the latter's expected depurge. YOSHIDA succeeded HATOYAMA as Prime Minister designate when the latter became subject to the purge, but reportedly promised to return the reins if and when HATOYAMA is released. Consequently, opposition parties have been anticipating a split in the Liberal Party if YOSHIDA refuses to step down following the treaty.

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SECTION 3 (WESTERN)

"1" GERMANY. Germans Incensed at US Action on "Kemritz Case". The "Kemritz Case" has grown to the proportions of a major scandal in the West German press and parliament during the past week. (Dr. Hans Kemritz is a former German intelligence officer who allegedly helped the Soviet MVD kidnap German nationals in East Berlin during 1945 and 1946, but who also is said to have made "a valuable contribution to Western intelligence".) On 13 June the US High Commission released a report that, after a six months' investigation, charges against Kemritz were being dropped by the US, and that "there is no basis for the prosecution by Allied or German authorities". West German and West Berlin newspapers have unanimously attacked the US action in bitter tones, ignoring the reasons cited for dropping of the charges. Informants in close contact with Berlin public opinion have expressed concern over the loss of US prestige and an even greater loss of faith by East Germans. In an extremely resentful debate on the affair in the West German parliament on 20 June, speakers of all parties condemned the HICOG decision. US officials complain that the German leaders decided to embarrass HICOG despite the fact that they were privately apprised of the real nature of the case. The Minister of Justice, Thomas Dehler, particularly attacked the US action bitterly in the Parliament debate. (C Bonn 980, 21 June 51; R Berlin 1534, 21 June 51; R Frankfurt 10217, 16 June 51) COMMENT: The Federal Parliament is reported to have unanimously passed a bill for the protection of personal freedom introduced by Chancellor Adenauer's party following the Kemritz debate. The bill provided for sentences at hard labor in cases of kidnapping and denunciation.

"C" FRANCE. Socialists Declare "Class Revolution" No Longer Inevitable. Leaders of the French Socialist Party are said to feel that economic changes, particularly in the US, have wrecked the old Marxist dogma of growing economic concentration and crisis culminating in "inevitable" revolution. Consequently the Socialists are striving for the support of the growing mass of office workers, and small shop, service station, artisan and similar groups, including skilled workers, with small but definite private property interests. The Socialists fear that, in spite of reported reductions in Communist membership in some regions since 1947, Communists are able to take advantage of the general prosperity in France which is antagonizing millions of low wage earners. (C Paris 7981, 21 June 51) COMMENT: Guy Mollet, Socialist Secretary-General, is deeply concerned that labor's purchasing power has stood still while production has risen about one-third above pre-World War II. The Socialists intend to condition their participation in the next government—though not necessarily their support of it in the Assembly—on the adoption of broad measures to check Communist exploitation of the major price rise. Since the Socialists' principal support in recent years has come from civil

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servants and small shop owners, the party is not likely to modify its social program substantially for their sake at the risk of leaving the Communists a still freer hand with labor.

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AUSTRIA. Communists Sound Out Workers on New Strikes. [REDACTED]

[REDACTED] the party will not risk attempting a general strike in connection with the expected fifth wage-price agreement unless it is certain of better results than those obtained at the time of the last agreement in September and October 1950. The party will try to delay the conclusion of a new agreement until it has received reports (called for by 1 July) on the attitude of Communist workers (especially in the Soviet-controlled industries) and non-Communist workers toward new strikes.

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COMMENT: The Communist attempt at a general strike last fall was broken by the strong resistance of the bulk of labor. The discipline in the Communist USIA plants is even open to question this year. In April, the workers in one USIA factory went on strike, against the orders of the Soviet plant manager, in protest against the dismissal of one worker who had distributed anti-Communist literature. It was necessary for the manager to submit the worker's case to arbitration in order to end the strike.

"C"

ITALY. Strike of Government Employees. A twenty-four hour strike of government employees, called by Communist and non-Communist labor unions on 22 June, was about 60% successful, almost as effective as that of 8 May. In addition, employees totaling 600,000 in semi-government and local administrations were called out on a sympathy strike. The unions asked for increased pensions and a twelve per cent salary raise, which was countered by a government offer of four per cent and warnings that larger increases would entail the risk of runaway inflation. Today's walkout may speed legislation regulating the right to strike. (U NY Times, 23 June 51) COMMENT: This latest strike of government employees has afforded the Communists another opportunity to pose as the champions of all labor. It is probable that the government will compromise on this issue (see OCI Daily Digest, 21 June 51). Legislation regulating the right to strike has been considered by the government for some time, but would appear to be inadvisable at least until the civil servant demands are settled and the municipal elections in the autumn are concluded.

"B"

SPAIN. Prospects of US Economic and Military Aid Strengthen Spanish Regime. The Export-Import Bank has been authorized to allow Spain to buy wheat and other consumer goods out of the \$62.5 million Spanish loan voted by the US Congress in 1950. Spain has already been authorized one \$5 million wheat loan, but has asked for two additional \$10 million loans to buy wheat and coal. A decision is expected shortly on these two requests, which if approved, would mean that, with additional projects which have been approved, Spain will have drawn on more than half of the

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total loan. Prospects are good that Spain will receive another US loan of at least \$100 million to be included in the US foreign aid bill for the next fiscal year and it is possible that military aid may also be given. (U NY Times, 23 June 51) COMMENT: Spanish authorities will be greatly encouraged by prospects of sizeable US economic aid, which they have increasingly emphasized as having priority over military assistance. Franco's position will be strengthened politically by this development. The opposition within Spain, which has been much encouraged by the recent widespread strikes, will be alienated. The granting of consumer goods loans may improve the economic situation temporarily. However, Spain will continue to require stopgap aid of this type so long as the basic economic weaknesses are not overcome and autarchic economic policies discarded. The economic weaknesses will call for considerably more aid than has been proposed; abandonment of the autarchic policies does not appear within the political capabilities of the present regime.

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DENMARK. Government Anticipates Poles Will Stop Coal Shipments. A [redacted] US Embassy that his government expects coal shipments from Poland will cease after the delivery of 100,000 tons this month, unless Denmark delivers certain antibiotics and automobile and truck spare parts as called for in the Danish-Polish Trade Agreement of November 1950. [redacted] that his government had learned this from Danish coal importers who in turn had received the information from Polish coal exporters. A stoppage would entail a loss of 1,000,000 tons of coal over the remainder of the calendar year. (C Copenhagen, Joint Weeka No. 24, 15 June 51) COMMENT: The crucial importance of Polish coal to Denmark is beyond question (see OCI Daily Digests, 7 Apr and 15 June 51); but it is possible that the Poles are merely resorting to indirect threats to force Danish compliance with the trade agreement. On the other hand, it is possible that the Danes may be exaggerating the present extent of Polish pressure in order to obtain either a special allocation of American coal or some other form of US assistance in solving the Danish fuel problem.

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UNITED KINGDOM. Any British Military Operations in Iran Would Be for Protection of Life Only. A War Office official says that only if British lives are endangered will military operations be ordered in Iran, in which case troops of the 3rd Infantry Brigade would be airlifted from the Suez Canal Zone to Shaiba field, Iraq, and would proceed overland toward Abadan (about 40 miles) to cover the evacuation of British personnel. These troops would be immediately withdrawn when evacuation is completed. Fighter squadrons alerted in Transjordan and Iraq would be used only to cover troop movements if ordered; likewise a cruiser and three frigates in the Persian Gulf area are on hand to assist if necessary. Transport planes available in the Canal Zone are being augmented by 15 flown out from the UK. (TS Army Attache London 77973, 21 June 51) COMMENT: This statement of British intentions with respect

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to military operations explains most of the recent scattered reports of various UK air, sea and land unit movements in the area. The British are apparently sincere in their intention to protect lives only; they no longer refer to property protection, and do not contemplate physical resistance even if the Iranians try to take over the refinery by force. If a total evacuation of British personnel is ultimately found necessary, well-laid plans, as indicated above, should diminish the possibility of untoward incidents, but such incidents cannot be ruled out entirely while such a tense atmosphere prevails.

U" ARGENTINA. Army Officers Arrested for Plotting. Five junior-grade army officers are under arrest, charged with attempting to incite revolt against the government. Announcement of the arrests follows headlines press reports of a plot to assassinate President and Mrs. Perón. (R AP Ticker, 23 June 51) COMMENT: Perón has increased surveillance over army officers--the principal threat to his regime (see OCI Daily Digest, 11 May 51). Considerable opposition to Perón does exist in important Army circles, but thus far there is no evidence of: (1) a concerted effort to oust Perón, (2) the extent of support from enlisted men whose position has been improved by Perón, and (3) a possible successor to Perón. The Administration press will continue to propagandize such plots, real or otherwise, in an effort to whip up loyalty of the workers to support Perón in the forthcoming election and to deal with any opposition which might try to use force.

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23 June 1951

SECTION 2 (EASTERN)

"B" IRAN. Air Force Placed on Alert Status. The US Embassy in Tehran reports that the Air Attache has learned [REDACTED] that the Iranian Air Force has been placed on alert status "for any contingencies connected with oil nationalization issues." The Iranian Air Force has requested authorization to replace a Hurricane patrol now on duty in Tabriz with five F-47's with full tactical armament and accompanied by pilots, crew chiefs, and armorers. (S, S/S Tehran 3380, 21 Jun 51). COMMENT: The request to replace the Hurricanes by the much newer F-47's in the Tabriz area on the northern frontier, indicates that the Iranians at this time are not concerned solely with the security problems in the southern oil regions.

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"B" Italy Rejects Iran's Approach for Oil Technicians. [REDACTED] has informed US Ambassador Grady in Tehran that several weeks ago Prime Minister Mossadeq asked if the Italian oil industry could supply Iran with oil technicians. The Italians refused this request, but agreed to send two representatives of the Azienda Generale Italiana Petroli (AGIP) to confer with the Iranians on how the Italians nationalized their oil industry, and how it worked out its relations with private companies. (S, S/S Tehran 3378, 21 Jun 51). COMMENT: Iran has tried to get technicians and advisors from various countries, but so far, it has obtained no firm commitments from technicians in any foreign country. The major US oil companies have tacitly agreed to have no part in Iranian oil exploitation, with the ever increasing likelihood that Iran will find itself exceedingly hardpressed if the AIOC pulls its personnel out of Iran. There was one report on 25 May that the Soviet Oil Administration in Austria was making a preliminary check to see who might be interested in going to Iran. However, there has been no confirmation of this report.

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"B" INDONESIA. Strategic List Excludes Rubber. [REDACTED] that he had received the list of strategic materials which the Indonesian Government considers subject to the UN embargo on Communist China and that the list omits rubber. In explaining the omission [REDACTED] (1) strong Indonesian public opinion blaming the

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recent fall of rubber prices on the UN embargo; (2) Government fear that Communist and leftist pressure could cause the cabinet to fall on the embargo issue; and (3) the Indonesian trade pattern under which no rubber is being or has been exported to Communist China.

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the strong adverse public reaction which would develop in the US over Indonesian omission of rubber and suggested that the Indonesian Government supplement its strategic list with a statement that Indonesia is adhering to its historic trade pattern under which no rubber is shipped to Communist China. (S, S/S Djakarta 1399, 21 Jun 51). COMMENT: On the basis of its "independent" foreign policy and as evidenced by its abstention during the UN voting on the embargo, Indonesia has been most reluctant to support the embargo on strategic materials to Communist China. Although forced to support it by a majority decision of UN members, the Indonesian Government undoubtedly finds it necessary to make a point of exercising its neutrality by omitting rubber from the strategic list. Moreover, there are reports that Indonesia has been negotiating with Communist China for supplying the latter with large quantities of rubber. Press criticism on the embargo has been unusually bitter and the Communists have been quite vocal on the subject, but a firm government stand could easily override parliamentary opposition.

"B" JAPAN. Peace Conference May Be Held at San Francisco in Early September. The US and the UK are now preparing to circulate the preliminary Japanese peace treaty draft among the non-Communist Governments principally concerned. It is hoped that the draft, together with any amendments which may result from the initial circulation, can be forwarded under joint US-UK sponsorship for comment to all the nations which were at war with Japan on or about 20 July, together with an invitation to participate in a conference for final consideration and signature at San Francisco about 3 September (C, State 6036, 21 Jun 51).

SECTION 3 (WESTERN)

"B" UNITED KINGDOM. Foreign Office Clarifies Position in Ruhr Agreement Negotiations. A UK Foreign Office spokesman has stated to US Embassy officials in London that the sole obstacle to UK acceptance of the proposed Ruhr agreement protocol abolishing the International Authority of the Ruhr is the Cabinet's reluctance to give up a bargaining position in trade negotiations currently in progress to secure an increase in German scrap iron and steel export commitments. The Government believes the scrap problem to be so important that it is unwilling to pass up the opportunity to capitalize on the German eagerness to be free of international controls on coal and steel. The Foreign Office is aware of the adverse French and US

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reaction to the long UK delay over this issue, but insists that the British position should not be interpreted as a move to sabotage the Schuman Plan. The Embassy comments that the Foreign Office is sincerely trying to formulate a proposal acceptable to the Cabinet to end the present deadlock. (S, S/S London 6707, 21 Jan 51). COMMENT: The UK has never regarded support of the Schuman Plan as a matter of immediate concern for the protection of vital UK interests, and is therefore not unwilling to delay the Plan's development whenever it appears necessary to prosecute those interests. In 1950, Germany was the UK's principal supplier of scrap, and therefore any difficulty in maintaining this trade would be a matter of vital concern to the operation of the nationalized steel industry.

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